

Message Text

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ACTION EUR-08

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C O N F I D E N T I A L VIENNA 03894

LIMDIS

PARIS FOR DYCHE

PASS TREASURY FOR UNDER SECRETARY SOLOMON FROM BERGSTEN

E.O. 11652:GDS
TAGS: EAID, EFIN
SUBJECT: HABERER VISIT AND FRENCH VIEWS ON INTERNATIONAL
- MONETARY ISSUES

1. I LUNCHEDED TODAY WITH HABERER WHO WILL BE REPLACING
DE LA ROSIER ON MAY 10. HIS FIRST VISIT TO WASHINGTON IN
NEW CAPACITY WILL BE TO ATTEND MEETING OF SUMMIT PREPARA-
TORY GROUP AT END OF MAY. I RECOMMEND THAT YOU INVITE
HIM TO PRIVATE MEETING AND/OR DINNER TO ESTABLISH CLOSE
WORKING RELATIONSHIP AT OUTSET HIS TENURE.

2. HABERER WILL TAKE OVER ALL CURRENT DE LA ROSIER
FUNCTIONS. IN ADDITION HE WILL MAINTAIN PREVIOUS RESPON-
SIBILITIES FOR DEVELOPMENTAL MATTERS INCLUDING MULTI-
LATERAL DEVELOPMENT BANKS. HE WILL THUS BE PRIMARY
FRENCH OFFICIAL RESPONSIBLE FOR ALL INTERNATIONAL FINAN-
CIAL INSTITUTIONS.

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3. SUBSTANTIVE DISCUSSION FOCUSED ON PROSPECTS FOR IN-
CREASED EUROPEAN MONETARY COOPERATION. HABERER FORESEES
TWO POSSIBILITIES. FIRST, REVIVAL OF EARLIER FRENCH PRO-
POSAL FOR NON-SNAKE EC COUNTRIES TO MAINTAIN EXCHANGE
RATES WITHIN MARGINS PLUS OR MINUS 1 OUTSIDE CURRENT
SNAKE. HE REJECTS POSSIBILITY OF FRANCE REJOINING SNAKE

ITSELF BUT CONSIDERS THIS TWO-TIER ARRANGEMENT TO BE A POSSIBILITY.

4. SECOND, HE FORESEES POSSIBLE SIZEABLE EXPANSION INTERNAL EC CREDIT LINES BOTH AT SHORT TERM AND MEDIUM TERM. GERMANY IS RELUCTANT TO PURSUE THIS APPROACH BUT HABERER IMPLIED WIDESPREAD EUROPEAN PRESSURE ON FRG TO DO SO.

5. INDEED, FRANCE IS PREPARED TO RAISE ITS GROWTH TARGET FOR 1978 FROM 4.0 TO 4.5 IF GERMANY WOULD EXTEND \$1 BILLION MEDIUM TERM CREDIT TO FRANCE. FRENCH VIEW IS THAT GERMANY MUST PROVIDE SUCH FINANCE IF IT REMAINS UNWILLING TO PROMOTE ADJUSTMENT THROUGH FASTER ECONOMIC GROWTH. FRENCH FORESEE NO REPEAT NO FURTHER EXPANSION IN GERMANY IN 1978 BUT POSSIBILITY FOR 1979.

6. GOF HAS NO INTEREST IN SDR ALLOCATION AT THIS TIME DUE TO HIGHLY LIQUID STATE OF WORLD ECONOMY.

7. GOF HAS NO INTEREST IN WITTEVEEN SUBSTITUTION PROPOSAL BECAUSE IT IS QUOTE NOT REALISTIC UNQUOTE I.E., COUNTRIES PREFER TO HOLD DOLLARS.

8. HABERER'S REACTION TO THE RESUMPTION OF U.S. GOLD SALES WAS THAT QUOTE THEY MAKE VERY LITTLE DIFFERENCE UNQUOTE EITHER FOR U.S. OR FOR GOLD MARKET.

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9. REMAINDER OF DISCUSSION FOCUSED ON POSSIBLE ADB LENDING TO VIETNAM. FRANCE VIEWS SUCH LENDING AS OF GREAT IMPORTANCE AS PART OF MULTI-FACETED EFFORT TO MAINTAIN QUOTE WESTERN ORIENTATION UNQUOTE OF SRV AND AVOID THEIR BECOMING DEPENDENT ON USSR. HE REPORTED ON SUCCESSFUL FRENCH EFFORT TO NEGOTIATE COMPENSATION FOR EXPROPRIATED FRENCH FIRMS AND CONTINUED SRV REPAYMENT ON OUTSTANDING GOF LOANS TO VIETNAM. HABER PERSONALLY NEGOTIATED THESE ARRANGEMENTS.

10. REGARDING CURRENT ISSUE OF LENDING TO VIETNAM IN ADB, HABERER FEARED QUOTE MISUNDERSTANDING UNQUOTE ON RELATIONSHIP BETWEEN SRV REPAYMENT OF OUTSTANDING DEBT AND RESUMPTION OF ADB LOANS. I REITERATED U.S. PROBLEMS WITH SUCH LENDING AND HABERER DID NOT PRESS THE ISSUE WITH ME. BORG

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